

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. NO.: 3441-01
BILL NO.: SB 805
SUBJECT: Health Care; Insurance-Medical; Taxation and Revenue-Income
TYPE: Original
DATE: February 28, 2000

FISCAL SUMMARY

ESTIMATED NET EFFECT ON STATE FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> State Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2001	FY 2002	FY 2003
Local Government	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 3 pages.

FISCAL ANALYSIS

ASSUMPTION

Officials of the **Department of Insurance (INS)** state this proposal would not fiscally impact their agency.

Officials of the **Office of Administration (COA)** states that according to this proposal, if a taxpayer takes a deduction on the federal return, they do not qualify for the deduction on the Missouri return. The COA staff does not envision a circumstance where a taxpayer would not take the deduction on the federal return and qualify for the deduction on the Missouri return.

Officials of the **Department of Revenue (DOR)** state this legislation allows a deduction for up to \$2,000 for individuals and \$5,000 for a family, equal to the amount the taxpayer contributes to a medical savings account. A taxpayer will not be allowed a deduction on the Missouri return if a federal deduction has been taken.

The number of taxpayers eligible for this deduction is unknown at this time. The Department's impact is based on the assumption that the employer will track and report to the Department the amount an employee contributes to the medical savings account. The Division of Taxation will need one temporary tax season employee (a cost of \$6,067) for every 130,000 returns filed with this subtraction and one Tax Processing Tech I for every 3,000 pieces of correspondence received regarding the subtraction. The Division of Taxation will also need one Tax Processing Tech I for every 30,000 errors generated by this legislation.

This legislation will require modifications to the individual income tax system. The Division of Taxation estimates these modifications, including programming changes, will require 1,384 hours of contract labor at a cost of \$41,617. Modifications to the income tax returns and schedules will be completed with existing resources. State Data Center charges will increase due to the additional storage and fields to be captured. Funding in the amount of \$9,007 is requested for implementation costs and \$451 for on-going costs.

Oversight does not envision a circumstance where a taxpayer would not take the deduction on the federal return and qualify for the deduction on the Missouri return. Therefore, for purposes of this fiscal note, Oversight will reflect the fiscal impact of this proposal as zero.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

L.R. NO. 3441-01
BILL NO. SB 805
PAGE 3 OF 3
February 28, 2000

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
	\$0	\$0	\$0

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act allows a tax deduction to those who contribute to medical savings accounts. It provides that any person who is eligible for a federal tax deduction for contributions made to medical savings accounts will also be allowed a state tax deduction. Eligible persons, however, may not take both a federal and a state tax deduction for such contributions. The maximum deduction allowed is \$2000 for individuals and \$5000 for families and there is no limit on the number of participating policies in Missouri. The Department of Revenue will administer the program.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Insurance
Office of Administration
Department of Revenue



Jeanne Jarrett, CPA
Director
February 28, 2000